

**THE OFFICE OF REGULATORY STAFF**

**DIRECT  
TESTIMONY**

**OF**

**CHRISTOPHER J. ROZYCKI**

**JULY 30, 2009**



**DOCKET NO. 2009-220-C**

**JOINT APPLICATION OF FRONTIER COMMUNICATIONS  
CORPORATION, NEW COMMUNICATIONS OF THE  
CAROLINAS, INC., NEW COMMUNICATIONS ONLINE AND  
LONG DISTANCE, LLC, AND VERIZON ENTERPRISE  
SOLUTIONS LLC FOR APPROVAL OF THE SALE OF ASSETS  
AND THE TRANSFER OF AUTHORITY AND CERTIFICATES**

**DIRECT TESTIMONY OF**  
**CHRISTOPHER J. ROZYCKI**  
**FOR**  
**THE OFFICE OF REGULATORY STAFF**  
**DOCKET NO. 2009-220-C**

**IN RE: JOINT APPLICATION OF FRONTIER COMMUNICATIONS**  
**CORPORATION, NEW COMMUNICATIONS OF THE CAROLINAS, INC.,**  
**NEW COMMUNICATIONS ONLINE AND LONG DISTANCE, LLC, AND**  
**VERIZON ENTERPRISE SOLUTIONS LLC FOR APPROVAL OF THE SALE**  
**OF ASSETS AND THE TRANSFER OF AUTHORITY AND CERTIFICATES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**  
**OCCUPATION.**

**A.** My name is Christopher J. Rozycki and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina Office of Regulatory Staff ("ORS") as a Program Manager in the Telecommunications Department.

**Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND**  
**BACKGROUND.**

**A.** I have over 30 years of experience. I have more than 20 years in telecommunications business and regulation and nearly 10 years in the regulation of energy industries.



1     **A.**           As Program Manager, Telecommunications, I am responsible for all  
2           telecommunications activities of ORS including the certification of new  
3           telecommunications entrants, regulation and oversight of existing  
4           telecommunications companies, management of the state universal service and  
5           Interim LEC funds, and administration of the Lifeline Program.

6     **Q.     HAVE YOU PROVIDED TESTIMONY IN OTHER REGULATORY**  
7           **PROCEEDINGS?**

8     **A.**           Yes. I have provided testimony on a variety of issues in Alabama,  
9           Delaware, Florida, Georgia, Louisiana, Mississippi, New York, North Carolina,  
10          Pennsylvania, South Carolina, Tennessee, Vermont, and Virginia.

11    **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
12          **PROCEEDING?**

13    **A.**           The purpose of my testimony is to present ORS' finding that the "Joint  
14          Application of Frontier Communications Corporation, New Communications of  
15          the Carolinas, Inc., New Communications Online and Long Distance LLC, and  
16          Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the  
17          Transfer of Authority and Certificates" ("Joint Application") is in the public  
18          interest.

19    **Q.     COULD YOU PLEASE SUMMARIZE YOUR TESTIMONY AND YOUR**  
20          **RECOMMENDATION?**

1     **A.**           Yes. After reviewing the Joint Application of Frontier and Verizon (the  
2           “Companies”), I recommend the Commission approve the sale of assets and the  
3           transfer of authority and certificates as requested in the Joint Application. I  
4           evaluated the Joint Application and documents provided by the Companies under  
5           the requirements of S.C. Code Ann. Sections 58-9-280 and 58-9-310 and find:

6           (1)     Frontier’s portion of the Joint Application demonstrates that Frontier  
7                   possesses the managerial, technical, and financial resources sufficient to  
8                   provide the services requested in the areas of South Carolina currently  
9                   served by Verizon South and its affiliates;

10          (2)     Frontier acknowledges its carrier of last resort (“COLR”) and Eligible  
11                   Telecommunications Carrier (“ETC”) obligations;

12          (3)     Frontier is committed to honoring the existing tariffs, interconnection  
13                   agreements, and contracts of Verizon; and

14          (4)     the proposed sale of assets and transfer of authority and certificates will  
15                   not adversely impact the public interest.

16     **Q.     S.C. CODE ANN. SECTION 58-9-280 CONTAINS FIVE CRITERIA AN**  
17           **APPLICANT SEEKING TO FURNISH LOCAL TELEPHONE SERVICE**  
18           **MAY BE REQUIRED TO MEET. HOW DO SECTIONS 58-9-310 AND 58-**  
19           **9-280 APPLY TO FRONTIER’S PURCHASE OF VERIZON ASSETS IN**  
20           **SOUTH CAROLINA?**

1     **A.**           Section 58-9-310 provides that no telephone utility, without the approval  
2                   of the Commission after due hearing and compliance with all other existing  
3                   requirements of the laws of the State, may sell, transfer, lease, consolidate, or  
4                   merge its property, powers, franchises, or privileges.

5                   It is not clear that a company such as Frontier, that is purchasing an  
6                   Incumbent Local Exchange Carrier ("ILEC") in operation prior to June 16, 1950,  
7                   is required to apply for and obtain a certificate of public convenience and  
8                   necessity. However, ORS reviewed the Joint Application in light of the standards  
9                   the Commission generally requires of all new applicants seeking to furnish local  
10                  telephone service. I have completed an evaluation of each requirement.

11    **Q.     THE FIRST CRITERION REQUIRES THE APPLICANT TO SHOW IT**  
12            **POSSESSES TECHNICAL, FINANCIAL, AND MANAGERIAL**  
13            **RESOURCES SUFFICIENT TO PROVIDE THE SERVICES**  
14            **REQUESTED. HAS FRONTIER MET THIS CRITERION?**

15    **A.**           Yes, Frontier has been in the telephone business for many years (it was  
16                   originally incorporated in 1935). Frontier is one of the largest local telephone  
17                   companies in the U.S., offering service to 2.2 million telephone access lines  
18                   (before the Verizon purchase) to residence and business customers in twenty-four  
19                   states. In the Joint Application and in the testimony of Daniel McCarthy, Frontier  
20                   provides information demonstrating that it possesses the technical, financial, and  
21                   managerial resources sufficient to provide reliable telecommunications services  
22                   and to operate the systems currently run by Verizon.



1 A. Yes.

2 **Q. THE FIFTH CRITERION REQUIRES A DEMONSTRATION THAT THE**  
3 **PROVISION OF SERVICE WILL NOT ADVERSELY IMPACT THE**  
4 **PUBLIC INTEREST. IN YOUR OPINION, HAS FRONTIER PROVIDED**  
5 **EVIDENCE THAT THE PUBLIC INTEREST IN FRONTIER'S SERVICE**  
6 **AREA WILL NOT BE ADVERSELY IMPACTED?**

7 A. Yes. Frontier will be providing ILEC service, and will be the carrier of  
8 last resort. In fact, Frontier has the opportunity to positively impact the public  
9 interest in its service areas and in South Carolina through infrastructure  
10 investment.

11 **Q. DID ORS EVALUATE OTHER FACTORS TO FORM ITS**  
12 **RECOMMENDATION?**

13 A. Yes. ORS reviewed three specific areas of interest and concern regarding  
14 Frontier's purchase of Verizon's wireline business in South Carolina: first, we  
15 reviewed the reports of several financial Rating Agencies regarding the financial  
16 impact of Frontier's purchase of Verizon businesses and customers in 14 states;  
17 second, we evaluated the possibility that Verizon customers may experience  
18 better service under the new management and ownership of Frontier; and third,  
19 we reviewed the effect on current SC Verizon employees.

20 **Q. CAN YOU SUMMARIZE YOUR REVIEW OF THE FINANCIAL**  
21 **RATING AGENCY'S REPORTS?**



1     **A.**             Yes. In response to ORS requests for financial information related to  
2             Frontier and the purchase, Frontier provided three Ratings Agency reports from  
3             Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

4             Each of these Ratings Agencies reviewed Frontier, based on the fact that  
5             Frontier is purchasing local exchange assets in 14 states and will be providing  
6             service to approximately 4.8 million access lines. Moody's placed Frontier "on  
7             review for a possible upgrade;" Fitch placed Frontier on "Rating Watch Positive;"  
8             and Standard & Poor's stated that Frontier's corporate credit rating was  
9             "affirmed," or remained essentially unchanged by this announcement. In essence,  
10            these rating agencies are cautiously optimistic about the proposed  
11            Frontier/Verizon transaction.

12    **Q.     PLEASE EXPLAIN THE IMPROVEMENTS FRONTIER MIGHT MAKE**  
13       **TO PROVIDE BETTER SERVICE TO SOUTH CAROLINA**  
14       **CONSUMERS.**

15    **A.**             Consider first, the business plans of the two companies – Frontier and  
16             Verizon. Verizon has stated that its wireline business is focused on major  
17             metropolitan areas. Verizon is also focusing heavily on its wireless business. By  
18             contrast, Frontier is attempting to grow its wireline business and revenue in small  
19             towns and rural communities. While Verizon has tried to respond to consumer  
20             demand for broadband service in South Carolina by offering its wireless  
21             broadband service, Frontier has indicated to ORS that it will respond to those  
22             same consumer requests by upgrading its South Carolina wireline network to



1 Carolina will advance the state's high-tech infrastructure and allow it to compete  
2 in the global economy.

3 In addition, Frontier indicated that it will retain most of Verizon's current  
4 employees and may hire new employees in South Carolina thereby promoting  
5 economic growth.

6 **Q. WHAT EFFECT WILL THE TRANSITION HAVE ON SOUTH**  
7 **CAROLINA VERIZON EMPLOYEES AND THEIR BENEFITS?**

8 A. According to the testimony offered by Verizon and Frontier, most of the  
9 Verizon employees will become Frontier employees at the close of the  
10 transaction. (See McCarthy Testimony at p. 34 lines 19-23 and p. 35 line 1) In  
11 addition, ORS requested information from Frontier regarding the status of former  
12 Verizon employee pensions as they transition to Frontier. Based on responses  
13 from Frontier and Verizon, employees of Verizon who are participants in a  
14 Verizon pension plan (excluding former MCI plans) that transfer to Frontier will  
15 be transferred to new Frontier pension plans. These new Frontier plans will have  
16 terms that are identical in all material respects to the employees' prior Verizon  
17 plans.

18 **Q. ARE THERE ANY REQUIREMENTS THE COMMISSION SHOULD**  
19 **IMPOSE ON FRONTIER AS PART OF ITS APPROVAL?**

20 A. There are two areas the Commission may wish to address in its Order.  
21 The first relates to the requirements of being a regulated ILEC in South Carolina.

1 Frontier seeks the ILEC authority currently held by Verizon. As an ILEC there  
2 are certain rights and duties Verizon possesses that a new entrant CLEC would  
3 not. Establishing these requirements in the Order approving the sale of assets and  
4 the transfer of authority and certificates will alleviate any confusion that may arise  
5 in the future. These requirements include: (1) a commitment to be the Carrier of  
6 Last Resort and an Eligible Telecommunications Carrier in the areas Frontier  
7 serves; (2) a commitment to abide by the rules established for the South Carolina  
8 Universal Service Fund and the Interim LEC Fund; and, (3) a commitment to  
9 abide by the requirements associated with reporting and payment of gross receipts  
10 assessments in South Carolina.

11 The second area to be addressed is quality of service. Frontier will be  
12 required to make service reports to ORS under 26 S.C. Code Ann. Regs. 103-618  
13 and 103-619. ORS will monitor these reports and, as issues arise, Frontier must  
14 be willing to resolve quality of service issues promptly by repairing or upgrading  
15 the network as necessary.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A.** Yes it does.

**QUALIFICATIONS & EXPERIENCE  
OF  
CHRISTOPHER J. ROZYCKI**

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**QUALIFICATIONS SUMMARY**

Senior Regulatory Professional - Significant experience creating and implementing regulatory and legislative policy and plans, with a consistent record of delivering outstanding results in areas involving state and federal regulatory and legislative action, and the establishment and implementation of rational and balanced regulatory policies. Created and directed cross-functional leadership and project teams that produce results. Expertise includes budgeting, reorganizations, strategic planning, hiring, training, and policy and process development. Published journal articles and wrote white papers, pamphlets and a variety of other documents. Developed and presented comments and testimony on subjects including: rates; financial, economic and regulatory matters; and industry performance standards and metrics. Appeared before federal and state regulators and legislators, and testified before Public Utility Commissions ("PUCs") in 13 states.

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**EXPERIENCE**

2008 – PRESENT

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF  
Columbia, South Carolina**

**MANAGER – TELECOMMUNICATIONS PROGRAMS**

- Perform analysis and provides testimony in formal telecommunications proceedings before the South Carolina Public Service Commission regarding rate applications, CPCNs, tariff filings, interconnection agreements, cost of service and depreciation studies.
  - Plans, coordinates and directs daily operations for telecommunications department. Administer and supervise the state's Universal Service Fund, Interim LEC Fund, and Dual Party Relay Fund.
  - Develops policies and programs that maximize the financial integrity of the state's telecommunications companies while ensuring that they provide quality service at reasonable rates.
  - Collects data and analyzes the technical, statistical and economic trends of telecommunications policy. Writes position papers as required
  - Manage the Lifeline & Linkup program.
-

2007 – 2008

**ROCK HILL TELEPHONE COMPANY**  
Rock Hill, South Carolina

**RATES AND TARIFFS ANALYST**

- Developed competitive rate offerings for business customers
- Managed federal and state tariff filings
- Assisted with other regulatory support duties e.g.: assisting with the development of the Comporium Wireless application to participate in the FCC auction of wireless licenses.

2002 – 2007

**TELECOM OPTIMIZATION PARTNERS**  
Charlotte, North Carolina

**PARTNER**

Telecom Optimization Partners is devoted to improving the business operations and profitability of providers and users of telecommunications services.

- Created Business Plans, Financial Models, Investor Presentations, for a startup supplier of an electric utility communications and management system
- Developed investor presentations resulting in \$20 million in venture capital funding offers
- Performed due diligence and M&A research, and provided guidance on industry direction and opportunities for a private investment group and a startup cable system aggregator

2000 – 2002

**CAROLINA BROADBAND, INC.**  
Charlotte, North Carolina

**VICE PRESIDENT, LEGAL AND GOVERNMENT AFFAIRS**

Carolina BroadBand was a Broadband Service Provider ("BSP"), preparing to offer cable TV, telephone, and data services over its own last-mile, fiber optic network in Charlotte, Raleigh, Columbia, and other cities in the Carolinas.

- Performed and managed the complete regulatory startup of the Company and established corporate regulatory policies, reporting regularly to the CEO and Board of Directors.
- Negotiated complex agreements with the City of Charlotte, Duke Power, BellSouth, and others for interconnection, pole attachments, and rights-of-way
- Led the creation of a new industry association, and led the association in educating federal legislators and FCC regulators about critical industry issues.
- Organized and led a special project team for the rollout of telecom services, shaving six months off the time to activate these services
- Established excellent relationships and worked closely with Charlotte City officials to alleviate market entry barriers facing the Company.

1998 – 2000

**ITC^DELTACOM COMMUNICATIONS, INC.**  
Huntsville, Alabama

**DIRECTOR OF GOVERNMENT AFFAIRS**

Recruited to provide policy and managerial leadership to the regulatory department of this competitive telecommunications and data services company. Our Team performed a wide range of tasks covering all aspects of the business including regulatory functions, interconnection agreement negotiations, customer complaint resolution, tariff development, lobbying, and industry relations activities.

- Formulated Company policy on all regulatory issues, coordinating buy-in with the CEO, CFO, General Counsel, CTO, and SVP of Marketing and Sales.
- Crafted strategy and led the Company in a series of PUC complaints and court cases against BellSouth, resulting in an \$80 million victory.
- Assembled and led a multi-disciplinary team of subject matter experts to establish Company policy, then directed this team in negotiating interconnection agreements with BellSouth and other ILECs
- Managed consumer complaint resolution, handling difficult cases requiring executive level decisions
- Testified before state PUCs and PSCs as the Company's policy expert on a wide range of issues including inter-company compensation, industry performance standards, and interconnection agreement issues

1997 – 1998

**TELCOVE**  
Pittsburgh, Pennsylvania

**DIRECTOR OF REGULATORY AFFAIRS**

- Led team in obtaining CLEC certification in 12 states and creating over 40 state and federal tariffs
- Built political support for the Company on the issue of municipal rights-of-way, by educating key officials at the FCC, members of the President's Economic Council, state legislators, state regulators, and governor's offices
- Initiated and organized several industry coalitions that collectively lobbied against RBOC dominance of legislative and regulatory opinion

1983 – 1997

**AT&T**  
Various U.S. Locations

**MANAGEMENT POSITIONS IN BUSINESS DEVELOPMENT, FINANCE & GOVERNMENT AFFAIRS**

- Led team creating the initial business case for TCG; resulting in AT&T's purchase of TCG in January 1998
- Developed financial models for use in new business development projects
- Created new business concept document for broadband growth
- Produced a \$20 million financial turnaround, using rate filings, in one year
- Developed AT&T's policies and positions regarding proposed legislation

- Led interdepartmental teams, coordinating and leading negotiations with Independent Telephone Companies and representing AT&T in formal hearings
- Created educational materials to develop a solid, positive image for "the new AT&T" in PA and NJ. This model was used by the Company nationwide

1972 – 1983

**EARLY CAREER POSITIONS**  
Metropolitan Washington, DC Area

**FAIRFAX COUNTY DEPARTMENT OF CONSUMER AFFAIRS**

**Consumer Advocate, Public Utilities** - Prepared and presented testimony on rate of return and economic issues in electric, gas, and telephone rate cases before the Virginia State Corporation Commission

**TECHNICAL RESEARCH ANALYSIS COMPANY**

**Vice President** - Established an energy and regulatory consulting firm, performing research and analytical projects for the Federal Energy Regulatory Commission (FERC) and the U.S. Department of Energy (DOE).

**U.S. DEPARTMENT OF ENERGY**

**Economist** - Developed and performed new, rigorous studies assessing the economic feasibility of energy efficiency regulations and developed energy price forecasts.

**PUBLIC UTILITY CONSULTING**

**Economist** – Research Economist for two Washington, DC based public utility consulting firms. Performed research in public utility regulation, and prepared cost of capital, cost allocation, and rate design studies in support of the company's public utility consulting projects and for use in public utility rate cases

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**EDUCATION**

- MA, Economics, George Mason University, 1978
- BA, Economics, Georgetown University, 1972



**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2009-220-C**

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This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **DIRECT TESTIMONY AND EXHIBIT OF CHRISTOPHER J. ROZYCKI** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Kevin Saville, Esquire  
Frontier Communications  
2378 Wilshire Blvd.  
Mound, MN, 55364

C. Jo Anne Wessinger Hill, Esquire  
Steven W. Hamm, Esquire  
Richardson Plowden and Robinson, P.A.  
Post Office Drawer 7788  
Columbia, SC, 29202

M. John Bowen, Jr., Esquire  
Margaret M. Fox, Esquire  
Sue-Ann Gerald Shannon, Esquire  
McNair Law Firm, P.A.  
Post Office Box 11390  
Columbia, SC, 29211

Terrance A. Spann, Esquire  
U.S. Dept. of Defense  
U.S. Army Legal Service Agency  
901 N. Stuart Street, Suite 700  
Arlington, VA 22203

  
Pamela J. McMullan

July 30, 2009  
Columbia, South Carolina